

# Senate Budget & Fiscal Review

## *Senator Steve Peace, Chair*



Subcommittee No. 3  
on  
Health, Human Services, Labor, and Veterans Affairs

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Upon Conclusion of Senate Floor Session  
Room 4203

### *Agenda*

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## **CONSENT AGENDA**

### **4140 Office of Statewide Health Planning and Development**

#### **Geographic Information System**

**The budget proposes \$749,000 to implement an enterprise Geographic Information System to improve the effectiveness of OSPHD programs.** The project has been submitted in a Feasibility Study Report (FSR) to the control agencies. OSHPD believes that the Geographic Information System can provide the mechanism for OSHPD to analyze complex information pertaining to California's health care environment, identifying need, modeling the impact of proposed policies, programs and allocation of resources, and assess outcomes. The funds for this project are special funds, from the Health Data and Planning Fund, Health Facility Construction Loan Insurance Fund and the Hospital Building Fund.

#### **Healthcare Quality and Cost Analysis**

**The budget proposes a net increase of \$863,000 Special Funds to implement SB 680, Figueroa, 2001, relating to reporting on health procedure outcomes.** The bill revised OSHPD's current outcomes reporting requirements by adding the following:

- Publish an annual risk-adjusted coronary artery bypass graft outcomes report;
- Require OSHPD to report bypass graft outcomes by surgeon as well as by hospital by 2004;
- Require the establishment of Clinical Panels to review and approve newly developed, surgeon-level, risk-adjusted models;
- Establish an appeal process for surgeons concerning a report's conclusions;
- Establish the authority for OSHPD to produce physician-level outcomes reports for other conditions and procedures;
- Require the distribution of outcomes reports in a user-friendly format.

OSHPD proposes to accomplish these new tasks using redirected staff and contract assistance. The necessary funds can be provided within current appropriations in the California Health Data and Planning Fund, an assessment fund of hospital operating expenses.

The new tasks are in addition to requirements that OSHPD make available risk adjusted reports on hospital quality. OSHPD has proceed a series of reports on Acute Myocardial Infarction, and is developing other condition reports.

**No questions have been raised about this proposal.**

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**Administrative Costs**

**The budget includes \$250,000 in one-time special funds** to provide security training for the OSHPD Information Security Officer, and consultant services to assist the officer to conduct annual risk assessments and systems audits of OSHPD's information security infrastructure, review and update OSHPD security policies and procedures, refresh and conduct employee awareness training, and investigate security incidents. The total cost of this project is \$345,000, with \$95,000 coming from redirection. Funds are provided from various special funds, principally from the Health Data and Planning Fund.

**No questions have been raised about this proposal.**

**4700 Community Services And Development Department****Federal Energy Programs**

The budget provides for virtually level funding for federal low-income energy programs. The low-income funds actually available to California were augmented last year by federal emergency funds, which are expended on a calendar year basis, and will be reflected in the May revision to the budget. Preliminarily, the Department believes that the LIHEAP funds will increase nearly 22% next year, and the Department of Energy by 50.3%. A chart showing preliminary estimates of the increase for LIHEAP sub-programs is attached. These increases will be reflected in the May Revision.

**No questions have been raised about this budget.**

**5180 Department Of Social Services—Community Care Licensing****Technical Support Program Early Intervention Staff Positions**

The Legislature in the past approved 6 limited term positions to provide training and consultation to newly licensed residential care facility operators within their first 90 days of licensure. These positions expire June 2002. The Department is seeking funding and authority to extend the six positions for a two-year term.

CCL has issued a 2001 Performance Measure Study of the New Care Provider Workshops provided by these limited term positions. The analysis found that deficiencies cited for facilities that did not participate were 2.2 times greater than for those that attended. The citations for the most serious violations, that pose an immediate risk to the health and safety, were 2.6 times greater for those that did not attend. Similarly, the number of less serious violations, those that pose a potential risk, were greater, as were the total amount of civil penalty assessments issued to facilities that declined to attend the technical assistance workshop.

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**This budget augmentation is for \$423,000, and entirely supported by the Technical Assistance Fund; the proposal includes an extension of six limited term positions. In addition, the budget anticipates a transfer of \$991,000 from the fund balance of the Technical Assistance Fund to the General Fund.** With these two actions, the Department expects the funds revenues to precisely meet expenditures. The Technical Assistance Fund is supported through the annual fees community care licensees must pay to obtain and retain a license. A portion of funds from ongoing collections go into the General Fund; the balance is used to support the Technical Support Program

**No issues have been raised about this budget proposal.**

**Los Angeles County Child Care Development Grant/Loan Program**

As part of its effort to meet CalWORKs requirements, Los Angeles County has identified by zip code areas where CalWORKs clients live and where unmet child care needs constitute a barrier to employment. LA County developed the Child Care Development Grant/Loan program to facilitate the development of family day care services in these high-need areas. LA County contracts with CCL to perform pre-licensing consultations for existing, new and prospective child care providers, to assure that applicants meet requirements and are able to complete the licensing process.

**The budget proposes continued reimbursement authority for the total cost of 10.0 staff and associated expenses necessary to operate the project. Los Angeles County will provide the reimbursement to CCL. The reimbursement authority is for \$845,000.**

**No questions have been raised about this budget item.**

**County Licensing**

Currently, some counties license some community care facilities under contract with the state. **The budget proposes an increase of \$85,000 (\$81,000 General Fund), and 1.5 positions, to provide licensing services for Foster Family Homes and Family Day Care Homes in Siskiyou and Yolo Counties,** who have notified DSS they are transferring responsibility for licensing back to the state. There will be a corresponding decrease in DSS local assistance for county-administered community care licensing, to be made in the May Revision.

**No questions have been raised about this budget item.**

**Family Child Care Serious Incident Reporting**

Legislation signed in 2001 (AB 685, Wayne) requires family child care homes to report whenever a child in their care has suffered an injury or been subjected to an act of violence while under care, to the parent or guardian and to CCL. An immediate telephone or fax report is required before the end of the next working day following the occurrence, with a written report to follow within 7 days.

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CCL is requesting 6 permanent positions to comply with this new law, and a .5 limited term analyst position to develop regulations, a format for reporting and a system for tracking and reporting data.

**The budget proposes to add \$550,000 in special funds for this purpose.** The funds are from the Child Health Safety Fund, a depository for fee revenue for special interest license plates (such as "Have A Heart") and for civil penalties imposed on family day care homes.

**No questions have been raised about this budget item.**

**Foster Family Agencies/Certified Family Home Complaints**

The Budget Act of 2000 required DSS to report no later than June 30, 2001, regarding complaint investigations of Foster Family Agencies (FFAs) and the homes certified by them. From 1984 to 1998, complaints against certified family homes were investigated by the FFAs that certified them. SB 933 in 1998 required that the state investigate complaints against certified family homes.

The Department reports that during calendar year 2000, there were 12,124 certified homes. CCL received 2,546 complaints, containing 4,208 allegations against certified homes. The majority of these were less serious allegations. Approximately 9% were for priority I (sexual abuse, bodily injury, death or serious neglect); 20% were for priority II (inappropriate sexual behavior, physical abuse, or actions by the foster parent that result in felony offenses). The balance were for less serious allegations. 85% of all the allegations had been closed by the time of the report. Overall, about 36% of all allegations for which the investigation is complete were substantiated (the remainder were inconclusive or determined to be unfounded).

**The Department finds that there is a higher rate of complaints for FFAs than for Foster Family Homes (15% compared to 6%). However, they also note that FFA homes are visited by the FFA more frequently than Foster Family Homes are by licensing workers. The CCL data base does not currently maintain information on the source of complaints. However, district offices indicate that the single largest source of complaints for the certified homes is from the FFAs themselves. This may account for the higher rate of complaints.**

The Department found that some FFAs were not meeting their statutory and regulatory requirements regarding certified homes. As a result of investigations, CCL decertified 146 homes in 2000. An additional 143 received an 'exclusion action', where a friend or adult child of the foster parent cannot be present in the home. 61 actions resulted in a license revocation, stipulation or probation. As a result of the study, CCL has taken actions to clarify investigation protocols, coordinate with counties, and develop training for FFA and CCL staff.

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This item is information only, reporting on the budget act language. The general issue of the role of FFAs in the foster care system is discussed under DSS-Children's Services.

## **5180 Department Of Social Services**

### **Operations Reductions**

**The Department has proposed reductions in operations expenses of \$4.7 million (\$2.8 million General Fund).** The reductions include:

- Modifying the requirements for licensing school age child care facilities (abolishing 9.5 positions, for a savings of \$542,000 General Fund): requires Trailer Bill language: **Discussed under DSS-Community Care Licensing**
- Reducing annual audit requirements for foster care programs (abolishing 2.5 positions): **requires Trailer Bill language;**
- Shifting appropriate activities in the Technical Support Program from General Fund to a special Technical Assistance Fund. The Technical Support Program provides improved communication between residential care providers and the licensing activities;
- Reducing operating expenses and equipment expenditures;
- Reducing budgeted overtime;
- Reducing CalWORKs state operations.

**No issues have been raised about these reductions. The subcommittee will adopt the proposed reductions, considering the school-age child care issue elsewhere, under Community Care Facilities.**

### **Adoption Assistance Program**

The Adoption Assistance Program (AAP) provides financial support to families adopting a child with special needs. These needs can include a mental, physical, medical or emotional handicap; race, color or language barriers to adoption; age of over three years; member of a sibling group; or adverse parental background, such as drug addiction or mental illness. The AAP payment shall not exceed the age-related foster family home care rate for which the child would otherwise be eligible, and the child shall have been otherwise eligible to receive aid under the Foster Care Program.

**The budget provides an increase of \$64.0 million total funds for grant payments (\$29.9 General Funds). The estimate is that the caseload will be 54,649 in the budget year, a 13.9% increase over current year. No COLA is provided for this program.** The caseload of this program has increased more than 15% each of the last three years.

**No issues have been raised about this adjustment.**

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**Kinship Guardianship Assistance Program (KinGAP)**

The KinGAP program provides stable, guardian placement for children in foster care, when placed with relatives and the placements are the permanent plan for the child. With the development of the guardianship, the court dependency can be dismissed, and there is no need for continued case supervision by the court or the local social services department. The guardian receives a monthly payment at the basic foster care rate. Eligible children are those who have been living with a relative for at least twelve months. **The budget estimates an average monthly caseload of 15,309 children.** This constitutes a continual growth rate of 3% per month through the budget year. This growth represents savings in case supervision costs to the state, and improved permanency and stability for children.

**The budget for the KinGAP program is estimated to grow by a total of \$30.7 million all funds (\$4.6 million General Fund).** The growth is associated with caseload growth; no COLA is provided for this program in the budget year. The total budget is anticipated to be \$99.3 million, federal, state and county funds (not including offsets for savings in CalWORKs and Foster Care).

**No issues have been raised about this budget**

**Promoting Safe and Stable Families**

The federal government provides a specific program of child welfare services, to provide community based, family centered services that focus on supporting and preserving families, protecting children and preventing child abuse and neglect.

**The budget shows a modest increase of \$1 million, for a total of \$42 million in the budget year.** The required match is provided through the existing state Family Preservation Program.

**No issues have been raised about this budget.**

**Child Welfare Services**

The Department and county welfare departments provide a system of child welfare services, the primary intervention program for abused, neglected and exploited children in California. The services are designed to prevent, remedy and help solve problems that cause the abuse, neglect or exploitation of children. In addition, they prevent the unnecessary separation of children from their families, arrange to restore children to homes from which they have been removed, and identify children who should be temporarily or permanently removed from their homes. The system includes Emergency Response, Family Maintenance, Family Reunification and Permanent Placement services.

The basic costs for these services are proposed to be \$949.9 million, including federal, state and county costs (\$387.8 million General Fund). **The budget fully funds caseload and provides \$16.7 million (\$15.1 million General Fund) for a cost-of-doing business**

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**adjustment for local child welfare services.** The budget provides no similar cost of doing business adjustment for IHSS, Food Stamps or CalWORKs.

**No questions have been raised about this budget.**

### **Oversight of County Child Welfare Services**

The state Auditor General conducted an audit in 1998, with a follow-up in 2000, of the extent to which the Department conducts compliance reviews of county Child Welfare Services (CWS). In the follow-up report, the Auditor found that the state had made progress in providing oversight, but still needed to improve its oversight. Specifically, the Auditor found:

- The department conducts compliance reviews as required, but does not always require prompt corrective action plans.
- The department has required corrective action plans for emergency response programs, but had not completed protocols for reviewing county administrative practices.
- The department was finalizing at the time of the audit a procedure to document all child deaths related to suspected maltreatment.
- The department has undertaken a pilot project to improve decision-making of child welfare workers, but has not conducted an outcome evaluation of the pilot.

In addition to the audit, the federal government has initiated a national review of child welfare practices, using outcome measures rather than historic process measures. Early reviews from other states have found that virtually every state has failed the monitoring review. The state anticipates that California will have deficiencies identified as well. The state conducted a self-review in 2001; the federal monitoring will occur in fall, 2002.

The Legislative Analyst has reviewed the federal review process, and sampled information about the likelihood that California will pass the federal review, using 1998 information. (The fall, 2002, review will use 2000 information, so that the state may perform differently). The Analyst found that the state met or exceeded the federal standard on only one of five measures, and performed close to the standard on an additional measure. Other large states performed on a par with California.

The Department has submitted a budget proposal to continue and establish as permanent 4 positions previously established as limited term, for providing statewide oversight of county CWS, and to monitor county CWS agencies and county Probation Departments (who also place young people in foster placements). **The costs will be \$374,000 (\$221,000 General Fund).** The positions will provide the Department with the continued ability to conduct compliance reviews; to provide feedback to counties concerning the reviews; to monitor the completion of corrective action reports, and other monitoring and compliance activities. The activities comply with federal requirements related to child welfare funding; state statutory requirements, including specific statute

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requiring the monitoring of probation department placing activities; and a stipulated agreement in a lawsuit against the state for failure to monitor county child welfare agencies. The Department anticipates that results of federal and county self-assessment data will be available by summer.

**No issues have been raised about the proposal to make these positions permanent. The subcommittee has requested that the Department provide a briefing of legislators and other stakeholders when the results of the fall, 2002, federal review are available.**

**Child Abuse Prevention, Intervention and Treatment Program (CAPIT)**

The CAPIT program provides funds for contracts with community based public and private agencies to provide services to high risk children and their families, for prevention and intervention services for children at risk of abuse and neglect. Funds are provided through county allocations. In addition there is a \$1 million amount for innovative services contracts issued on a competitive bid process; and a small amount for training and technical services to support the state administration of the program and to provide for regional training on various child abuse issues. **Funding for the budget year is \$13.4 million General Fund, the same as the current year.**

Historically, funds have been distributed with a fixed amount to small counties, and the balance using a formula that considers a county's share of children under the age of 18, children receiving public assistance, and child abuse reports. DSS has developed a new allocation formula, using input and comment from local agencies. The new formula will update the allocation every three years.

**No questions have been raised about this budget.**

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## 4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

The Office of Statewide Health Planning and Development (OSHPD) develops plans, policies and programs to support the development of health care delivery systems that meet the needs of Californians. OSHPD operates through four major programs: 1) health policy development and analysis, including health care demonstration projects; 2) health professions development; 3) facility/hospital development, including Cal-Mortgage Loan Insurance; and 4) health care information. **The proposed budget is \$55.5 million, a reduction of \$4.8 over current year funding. The reduction is primarily in the limited General Fund portion of the budget.**

<b>Summary of Expenditures</b>				
(dollars in thousands)	2001-02	2002-03	\$ Change	% Change
General Fund	\$9,476	\$5,147	(\$4,329)	-45.7
Federal Trust Fund	1,498	1,498		
Special Funds	44,748	44,868	120	0.3
Reimbursements	4,614	4,035	(579)	-12.5
<b>Total</b>	<b>\$60,336</b>	<b>\$55,548</b>	<b>(\$4,788)</b>	<b>-7.9</b>

## DISCUSSION AGENDA

### Rural Health Care

The current year budget includes \$3 million General Fund for **capital outlay for rural health** systems. **These funds are not continued in the budget year.** Funds for this program in the past have been used for facilities improvements, data and management information systems; patient care equipment; patient transportation; emergency services; and health personnel training and continuing education, including telemedicine equipment.

Current year budget includes \$1 million Proposition 99 funds for small grants to rural health systems to pay for uncompensated health care services. Grants are typically targeted by service area (mental health treatment, dental services, treatment for diabetes, perinatal care, and similar programs) or by target group (preschoolers, non-English-speaking residents, the elderly and similar groups). **This funding is maintained in the budget year at \$1 million.**

The Governor's budget as introduced also eliminated funding for the Rural Health Demonstration Projects funded under the Health Families Program. These programs, enacted into law in 1997, are also vital projects and have been used to develop and enhance existing health care delivery networks for special populations and to address geographic access barriers. For the past three fiscal years, the annual appropriation has been \$6 million (\$ 2 million General Fund and \$4 million federal Title XXI funds), with funding equally split between the two areas—special populations, and geographic access.

Funding for the **special populations projects** is made available to projects located in rural and urban communities that have high concentrations of migrant and seasonal farm workers, and workers in the fishing and forestry industry and American Indians.

Funding for **geographic access projects** is made available to projects located in Rural Medical Services Study Areas (area with a population density of less than 250 persons per square mile and with less than 50,000 people within the area).

The subcommittee placed the Healthy Family Rural Demonstration Projects on its Priority to Fund list, requiring a restoration of \$2 million General Fund and \$4 million federal funds.

The Office will provide the following information:

- **Does OSHPD have information about the fiscal and programmatic stability of rural health systems?**
- **Does OSHPD have information about the potential combined impact of removing both the Rural Capital Outlay funds and Rural Demonstration Funds at the same time?**

**The subcommittee will consider whether to adopt the Governor's reduction of capital outlay funding.**

### **Healthcare Workforce Development**

The current year budget included extensive language requiring a preliminary assessment of strategy for development of the capacity to analyze California's healthcare workforce. The assessment would have identified state health professions needs and legal and regulatory requirements to meeting those needs. The structure of the workforce assessment was intended to become a template for assessing wider workforce needs in California. The report was developed as a result of bipartisan discussions in this subcommittee. **The report was due September 1, 2001, and has not yet been received.**

The budget proposes to take General Fund reductions of by **reducing operating expenses and equipment for the Health Professions Career Opportunity Program (HPCOP) and Song Brown programs by \$37,000.**

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The HPCOP program provides recruitment and mentoring services to undergraduate health profession students from shortage area backgrounds. **The reductions to HPCOP propose to reduce the grants provided to assist academic institutions to encourage and train individuals for a career in health care by \$42,000** (leaving \$142,000 and reducing the grants from 14 to 8). The reductions will also **eliminate “Health Pathways”, a publication for high school students and graduates, counselors and healthcare career recruiters, for a savings of \$45,000.**

The Song-Brown Family Physician Training Program provides funding to institutions for training slots for family physicians, nurse practitioners, and physician assistants. **The budget proposes to reduce the Song Brown Program by \$804,000**, by eliminating the special program grants. The number of training slots for family practice physicians, primary care physician assistants and nurse practitioners will not be affected by this reduction. It reduces instead the support institutions receive for discretionary items such as curriculum development, expansion of clinical training sites, and offering a fourth year rotation on Obstetrics or Psychiatry.

New legislation in 2001 (AB 548) requires OSHPD to establish a program in which funds are provided to defray costs related to the provision of care provided by specialty care providers in underserved areas. **The proposed budget requests Budget Act Language for authority to authorize expenditures for fund raising activities up to \$200,000 through a non-profit corporation.** This would permit OSHPD to contract with an entity that will carry out fund-raising activities for donations placed in the Specialty Care Fund. A copy of the Budget Bill Language is attached.

**The budget proposes to delete one position and decrease expenditure authority from the Health Facilities Construction Loan Insurance Fund, for a savings of \$53,000 in special funds.**

- **OSHPD should provide the subcommittee with information about when the September 1, 2001, report will be received.**

**The subcommittee will determine whether to adopt the proposed budget reductions to healthcare workforce programs.**

#### **Nursing Workforce Initiative**

The Governor this winter announced a three-year, \$60 million project to address the nursing shortage in California. The initiative has provisions that will expand nurse training and retention and streamline the nurse licensing process. The proposal includes funding to support an evaluation of the components of the initiative, identify the most effective strategies to build the health workforce and health delivery system. A copy of an outline of the initiative is attached.

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OSHPD operates a Health Professions Education Foundation. This non-profit public benefit corporation provides financial assistance to economically disadvantaged students and graduates. The Foundation administers the Registered Nurse Education Fund, funded by a surcharge assessed on Registered Nurse license renewals. The fund is used for scholarship and loan repayment funds. Base funding for the Registered Nurse Education Fund in 02-03 is \$737,000. **The budget proposes to increase spending for these scholarship and loan programs by \$508,000 each of the next three years, with \$441,000 to fund nurse scholarships and loan repayments and \$67,000 to fund administration of the program.**

The Foundation also operates the Health Professions Education Program. This program is supported entirely through philanthropic contributions from hospitals, health plans, foundations, corporations and individuals. It provides scholarship support and loan repayment programs for a wide variety of health professions. The base funding in the 2002-03 budget is \$930,000. **The budget further proposes to augment the Health Professions Education Fund by \$500,000 for scholarship and loan repayments and \$115,000 for administration, to reflect a grant from the California Endowment of \$1.8 million over the next three years.**

**The subcommittee will consider whether to adopt these augmentations.**

#### **Hospital Seismic Retrofitting**

California law requires hospitals to evaluate their facilities, develop plans to meet seismic standards, and ensure that their buildings are seismically sound by specified deadlines. The law was strengthened in 1994 after the Northridge earthquake. General acute care hospitals were required by law to evaluate and rate their hospital buildings by January 1, 2001., according to how the facility would perform in a strong earthquake.

Based on the first ranking, four in ten buildings pose a significant risk of collapse in a strong earthquake and must be retrofitted, replaced or removed from service by 2008. Nearly half the buildings in the state will need to be upgraded to meet standards required by 2030. Hospitals have claimed it will cost as much as \$24 billion to make the repairs required. A summary of hospital building seismic performance ratings is attached.

OSHPD administers the regulations pertaining to this deadline. The regulations provide for a deadline extension of up to five years for hospitals that provide information showing that compliance with the 2008 deadline will result in diminished health care capacity in their area.

Advocates have raised questions about whether the public notice provision of the process of requesting and granting extensions is adequate.

**OSHPD will report on how many extensions have been requested, and how many granted.**

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## 4700 COMMUNITY SERVICES AND DEVELOPMENT DEPARTMENT

The Community Services and Development Department administers programs that include (Low Income Home Energy Assistance Program (LIHEAP) and California LIHEAP; (Department of Energy Assistance Program (WAP); and (3) federal Community Services Block Grant. The department also verifies eligibility of applicants for the California Alternative Rates for Energy Program offered by utility companies, administers the Lead-Based Paint Abatement and Prevention Program, and administers a statewide Naturalization Services program administered by community based organizations. The Department also participates in the multi-department California Mentor Program to assist at-risk youths to become productive members of society by recruiting, training and placing mentors with these young people. **The budget proposed a reduction of \$51 million, principally related to a proposed reduction in General Fund expenditures for the California LIHEAP program.**

<b>Summary of Expenditures</b> (dollars in thousands)	2001-02	2002-03	\$ Change	% Change
General Fund	\$47,326	\$2,989	(\$44,337)	-93.7
Petroleum Violation Escrow Account	4,857	0	(\$4,857)	-100.0
Federal Trust Fund	121,464	121,418	(\$46)	0.0
Reimbursements	5,987	4,231	(\$1,756)	-29.3
Energy Programs	[123,363]	[72,267]		
Community Services	[54,282]	[54,282]		
Naturalization Services	[1,989]	[1,989]		
<b>Total</b>	<b>\$179,634</b>	<b>\$128,638</b>	<b>(\$50,996)</b>	<b>-28.4</b>

### DISCUSSION AGENDA

#### State Energy Programs

The current year budget included \$5 million in **Petroleum Violation Escrow Account** funds to provide energy assistance to low income households, by augmenting the state and federal energy programs. **These funds are not renewed.**

The state developed a California Low Income Home Energy Assistance Program (CaLIHEAP) last year, to assist low-income, elderly, and disabled households to address the energy crisis through one-time energy payments and emergency crisis intervention payments, and to assist low income families in conservation efforts through weatherization and other assistance that would allow them to conserve energy and keep



energy bills reasonable. The legislation (Chapter 7, Statutes of 2001) appropriated \$120 million last year.

The CaLIHEAP program serves a slightly wider range of low income households than the federal program (up to 250% of poverty). The program provided local agency flexibility to design the energy payment and crisis intervention program to actually meet the needs of local households. And finally, a greater proportion of the funds were designated for conservation, including weatherization and measures to reduce the electric base load. This last provision included refrigerator replacement, electric water heater repair or replacement, microwave oven replacement or installation, and distribution of compact fluorescent lamps.

The Governor's budget proposed to revert \$53.7 million of these funds to the General Fund in the current year, to address the state's budget difficulties. The legislation that enacted current year cuts reduced this reversion, so that **a total of \$23.7 was reverted in the current year**. Moreover the \$30 million that was retained in the CaLIHEAP budget was directed to household payments (not conservation), and required to be spent by the end of the current year. **The budget proposes no new funding for this program in the budget year.**

CSD and community agencies acted promptly to initiate the program and deliver services during the summer period. Funds were released by June 1. By January 1, \$62.7 million had been allocated and \$56.4 million had been disbursed. Local agencies engaged in outreach and assistance to identify vulnerable population groups, conducted client intake and assessment, and provided all recipients of energy assistance with energy conservation education information and budget counseling, in addition to providing the three types of assistance, payments, emergency intervention and conservation.

**The legislation further required that the Department provide information to the Legislature on the impact of the new program on energy demand in California.** An extensive data gathering procedure was put into place in the program, and CSD estimated savings using models developed by California investor-owned utilities and the California Energy Commission. **The Department issued a report in March that analyzed the impact on energy demand for the period June through October, 2001.**

A total of 57,116 low income households were assisted. More than 18,169 dwellings have been weatherized. **From June 1-October 31, 2001, the weatherization services yielded energy savings of 3.7 million kilowatt hours, in the five-month period covered by the report.** This level of savings is sufficient to provide power to approximately 750 homes for an entire year. It is worth noting that these savings cover the start-up period for the program, and information from only 32 of the 45 community agencies funded under CaLIHEAP. All agencies ultimately submitted information. **It seems fair to assume that the CaLIHEAP program saved energy sufficient to power at least 2500 homes; and that those savings will continue in future years, since they are based on weatherization changes to homes.** The evaluation information from this

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project were not included in the California Energy Commission's February Report on California's conservation effort.

Of the households served, 71,081 persons were served that fell into the 'vulnerable population' category: elderly, disabled, limited English speaking, migrant or seasonal households, or children under five. **Comparing these figures to the population as a whole, it appears that the program served fewer elderly and migrant and seasonal households than the population data would indicate need the service.** On the other hand, children and the disabled were served more proportionately to their numbers. CSD has used some discretionary funds to provide special services to the migrant and seasonal population. The comparisons made in the report of data gathering did not include any impact from these special discretionary funds.

In 1996, California received a Residential Energy Assistance Challenge Option (REACH) pilot grant; funds from the LIHEAP program designed to test various approaches to help low income families reduce their energy usage and become more self-sufficient in meeting their home energy needs. THE GAO reviewed project evaluation reports for California and five other states that had completed evaluations, assessing whether participant households reduced energy costs, increased the regularity of home energy bill payments, and energy suppliers' contributions to reduce household energy burdens were increased.

The GAO found that five of the six evaluations, including California's, were insufficient to allow statistically valid conclusions about the project goals. In fact, California's evaluation that that there was no statistically significant reduction in the use or cost of energy among the test groups. Data were insufficient to determine whether the project increased the regularity of utility bill payments. Participant knowledge of energy conservation measures increased slightly. The GAO found that data collection was irregular, and did not include some elements (such as the regularity of the payment of utility bills). The energy use data was not adjusted for changes in the weather. Finally, there was no control group. The evaluation flaws were addressed in the design of the CaLIHEAP report.

**The subcommittee will consider whether to request that the Energy Commission include this program in their reporting.**

### **Naturalization Services**

The Naturalization Program provides services to assist legal permanent residents to obtain citizenship. Services provided include Outreach, Skills Assessment, Citizenship Preparation and Assistance, and Advocacy/Follow-Up services.

The initial funding for this General Fund program was provided in the 1998-99 Budget Act in the amount of \$2 million. The program grew to \$7 million in 2000-01. The current year budget was originally \$6.5 million (reduced from \$7 million by a Governor's veto). The Governor's budget proposed a reversion of \$4.5 million in January; the final

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action restored \$2.9 million of this in one-time funds. **The budget for 2002-03 is proposed to be \$2 million.** A chart showing funding amounts and clients served is attached.

The Department of Education has, in addition, federal funding for English as a Second Language (ESL) and ESL-Citizenship programs. Historically, the Department of Education has not been able to fully expend the funding for ESL-Citizenship; frequently the funding for ESL-Citizenship has been redirected to basic Adult Education ESL programs.

- **The Department will report on the cost per individual served, and the outcomes from this program.**

#### **Community Services Block Grant**

The Community Services Block Grant Program (CSBG) provides funding to assist low-income families with the following tasks:

- To obtain education and job training
- To secure employment and housing
- To solve problems that prevent stable family living and economic independence
- To better manage available income
- To meet nutritional and health care needs
- To raise healthy children
- To achieve greater participation in community affairs.

The program is entirely federally funded, although most of the public and private agencies (Community Action Agencies) which provide CSBG services also provide LIHEAP, Head Start, Food and Nutrition, Adult Education, Foster Grandparent and other Aging Services, Community Development Block Grant, and other services designed to meet the need of low income families.

California's expenditure of CSBG funds is driven by federal requirements and state law. Funds are distributed according to the following formula:

Discretionary funds	5%
Migrant and seasonal farm workers	10%
Native American Indian programs	3.9%
Community action agencies and rural community services	76.1%

Local agencies may spend up to 12% of total funds for administrative expenditures. And, since 1987, the community action agency funding has been funded according to a statutory formula that guarantees that each agencies receives a minimum of \$160,000, with the balance of the funding being distributed according to the low income population in the service area.

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**The budget proposes that California will receive \$50.5 million in federal CSBG funds, the same as the current year. The federal budget for the current year includes increased funds for CSBG, that will result in an augmentation for California in the current year of \$4.5 million, an increase of 8.47%.**

Last year's joint Assembly/Senate policy committee hearing on the State CSBG Plan California is required to provide annually heard considerable testimony concerning the effect on small and rural agencies of no increase in funds for more than 15 years, despite increases in the general level of funding for CSBG. The co-chairs of that policy committee hearing directed the community action community to discuss a potential solution with broad based support to equitably resolve the dispute over allocations, and avoid lawsuits or other contentious actions.

In December, the Committee was notified that the state association of community action agencies has developed a proposed solution, with support from a substantial majority of the affected community action agencies. The solution would provide for an increase for the smallest agencies from their current share of .004% of total funds to .006% of total funds, as long as the increase could be accomplished with no reduction in absolute funds, by using new funds and phasing in over three years, if required. Because of the new federal funding amount, it appears that the minimum could be raised consistent with the association's proposal, in a single action, with no effect on other agencies' current level of funding.

The Department informed the State Plan hearing last year that trailer bill would be required to accomplish any change in the current distribution of funds. The federal government has required that all eligible entities currently in good standing participate in the increase in federal funds this year. Accordingly, it appears that trailer bill language would be needed to distribute the new funds, if all eligible entities are to participate.

- **Should the subcommittee adopt a short term or long term formula for distribution of the new federal funds?**
  - **Should the subcommittee consider the formula proposed by the association? Or, should the subcommittee consider a proportional distribution which gives every agency an 8.4% adjustment?**
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## **5180 DEPARTMENT OF SOCIAL SERVICES—COMMUNITY CARE LICENSING**

The Department of Social Services Community Care Licensing (CCL) establishes standards for, and oversees, eighteen types of community facilities that provide care and supervision to Californians. These facilities include adoption agencies, foster care homes and agencies, child care homes and centers and residential care for disabled and elderly adults. In addition, 43 counties license foster homes under contract with DSS and 9 counties license family child care homes under similar contracts. The state monitors approximately 84,000 homes and facilities, with a capacity to serve 1.35 million individuals.

CCL delivers provider orientation; applicant screening; health and safety, staffing and financial regulations; and pre-licensing facility visits to applicants and potential applicants for community care licenses. CCL visits licensed facilities regularly, responds to complaints, and exercises a variety of enforcement actions, including consultation, fines and penalties, and license suspension or revocation. In recent years, the Legislature has added a TrustLine system, which conducts background checks on child care providers and babysitters that are not required to be licensed, to inform parents or other payers about criminal records or prior allegations of child abuse. In addition, the Division provides various information, training, and other capacity building services to provide more quality child care; provides training and technical support to small residential providers such as foster parents; provides financial oversight of residential communities that provide long-term continuing care contracts to residents; and supervises a certification program for administrators of residential care facilities.

**The budget proposes \$104.9 million (\$44.9 million General Fund) for this function in the budget year, a reduction of 1.3%.**

### **DISCUSSION AGENDA**

#### **Caseload Growth**

The budget proposes to augment CCL by 33.5 positions for district and regional offices and support bureaus. These include 16.0 new, full time positions, converting to permanent 17 expiring limited term positions, and adding 0.5 limited term staff counsel.

CCL provides estimates of growth in licensed facilities to support the request. These include such budget year changes as a 3.2% increase in family day care centers, 2.9% increase in child care centers, declines in foster family homes and group homes and increases in foster family agencies, and small increases in adult residential and day facilities.

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**The cost of this proposal is \$2.6 million (\$2.4 million General Fund).** This augmentation is \$600,000 less than originally proposed in the January budget, reflecting correction of an error in computing justified position costs, identified by the LAO. None of the augmentation is associated with the Governor's child care reform.

- **The Department will provide summarize trends in increases and decreases that lead to this request.**

#### **School Age Child Care Licensing**

Current law requires that some school-age child care centers be licensed. Those facilities that are operated on school sites, by school staff, and primarily serve children who attend the school are exempted from licensure. The budget proposes to exempt all school-age child care facilities from licensure, but continue to require that such facilities be subject to a criminal record clearance and child abuse registry check.. The Department will also continue to visit school-age child care centers, once every three years rather than annually. The proposal does not change the existing status of family day care homes.

**The budget, as proposed in January and modified by a Spring Finance Letter, proposes to reduce the budget by \$542,000 General Fund, and eliminate 9.5 positions; and to adopt Trailer Bill Language to accomplish the reduction.** The budget retains sufficient positions to increase criminal background checks, to increase serious incident reporting, and to assure that staff can pursue the site visits.

- **The Department will review the provisions of its proposal**

**The subcommittee will determine whether to adopt the Governor's budget.**

## **5180 DEPARTMENT OF SOCIAL SERVICES-Child Welfare And Foster Care**

### **DISCUSSION AGENDA**

#### **Adoptions and Guardianship Services**

##### **Adoptions Initiative**

Legislation passed in 1996 created a three-year program to maximize adoption opportunities for children in public foster care and reduce the foster care population. Counties were funded through performance agreements that increased the number of adoption social workers in an effort to double the number of statewide adoptive placements. As a result of the Adoptions Initiative, the annual number of foster children who were placed in an adoptive home increased from 3,000 to 7,500. In the final report of the Initiative in May, 2001, the Department reported that the Initiative had improved

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by 77% the chances that foster children who cannot return home are placed for adoption; and resulted in additional performance above the baseline adoptions activity: freed 16,200 children for adoption; placed 14,300 children for adoption, and completed 10,500 adoptions. Social worker efficiency (adoptive placements per social worker) was improved, and adoption practice has shifted to a focus on concurrent services planning, kin adoption, and the use of more uniform and comprehensive assessments of applicant families

Once the goals of the Initiative were reached, funding for adoptions are now included in the General Adoptions Program budget. Counties are funded based on anticipated adoptions, and funds sufficient to sustain the increased level of adoptions are provided in the budget. However, performance contracts are no longer required.

The budget required that the Department compile a supplemental report, making available through the budget process county-by-county information on the number of final adoption placements, and the number of guardianships, from 1997-98 through 2000-01. The information should include whether the adoption case backlog addressed in the 2000-01 budget year has recurred. In addition, the report should enable the subcommittee to determine whether the goals of the Adoptions Initiative have been sustained.

**The budget proposes a reduction of \$12.8 million (\$7.3 million General Fund) due to a redirection of federal adoption incentives to programs currently supported by the General Fund. This is a direct reduction in adoption services of \$5.5 million.**

- **The Department will report on adoption placements, to determine whether the rate of final adoption placements, including guardianships, has been sustained, and will continue to be sustained if the funds are cut.**

**The subcommittee will determine whether to adopt the Governor's reduction.**

### **Child Welfare Services**

#### **Reexamination of the Role of Group Care**

Legislation in 1998 (SB 933, Chapter 311, Thompson) required that the Department reexamine the role of out-of-home placement currently available for children served by the child welfare system. The bill required that the department collaborate with public and private organizations to examine this question. The department issued the final report of this process in July, 2001.

The report found that the group care system in California must be largely redesigned. The report identified recommendations that included such items as the following:

- Development of specific categories of group homes, program models and essential service elements, and preparing for a transition process to the new models;
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- Development of a statewide independent accreditation process for group care providers, including the establishment of benchmarks as indicators to measure quality;
- Address zoning issues at the local level;
- Consider linking funding and licensing to outcomes;
- Develop criteria for determining when group care is appropriate for children;
- Identify a single contact person for child and family;
- Develop specific parameters for improving educational services to foster children.

Most of the recommendations are restatements of the problem statement that led to the legislative mandate to create a workgroup. The workgroup is not close to developing a new categorization of group homes, an accreditation process, or a new rate structure.

**This item is primarily informational. The Department will be available for questions as to why no progress has been made.**

#### **Child Welfare Services Stakeholders**

In 2000, the Administration established the Child Welfare Stakeholders Group. The charge to this group is to examine California's child welfare services programs, processes and outcomes, recommending changes necessary to achieve goals. The department issued a progress report in June, 2001, outlining the activities of the Stakeholders Group. This Group found that new service approaches are needed, in the context of dramatic and pervasive change to the system. The report identifies the values of a redesigned system, and practice concepts that will support change to the system. These include such proposals as emphasizing investments in prevention and early intervention, varying responses to meet the needs of the child and family, coordinating the responses of public and private agencies, and using available funds flexibly.

The Department anticipates a final set of recommendations by August, 2002. Development of specific plans for implementation will take another year.

**This item is primarily informational.**

#### **Foster Care**

##### **Transitional Housing and Emancipation**

Legislation in 2001 created two new programs for emancipating foster youth up to age 21 who are participating in work or training for independent living. Legislation created the Transitional Housing Program (AB 427, chapter 125, Hertzberg) and provided \$10 million for a three-year period to support supervised independent living arrangements that prepare young people in foster care to live on their own. The legislation expanded an existing program that provided support for foster youth 17-18 years; the program now can serve young people from 16 to 21 years. The additional funding allowed additional counties to participate in the program, by raising the rate of support to 75% of the

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average group home rate in the counties. Funds include federal, state and county funds. The budget recaptured \$4.8 million of those funds, based on estimates of what can actually be spent in the current and budget years. The budget presumes that the remaining \$4.8 million will be budgeted in 2003-04.

The Supportive Transitional Emancipation Program (STEP - AB 427) provides cash assistance to eligible former foster youth. The budget proposes \$3.7 million (\$1.5 General Fund) for the program in the current year; and **\$33.5 million (\$13.4 million General Fund) in the budget year**. Total funds include county funds at the 60% county, 40% state ratio of foster care. County participation is voluntary.

The LAO has reviewed the budget estimates for the STEP based on the timeline of state and county program startup and a more conservative estimate of participation by eligible foster youth leaving foster care at 18 who will choose to participate in the STEP program. **The LAO estimates that \$1.1 million General Fund is over-budgeted in the current year, and \$4.6 million over-budgeted in the budget year.** DSS confirms that no county has formally implemented STEP at this point. Seven counties have indicated a plan to implement in the current year. Three additional counties are considering the possibility, but have funding problems meeting the match.

- **The LAO will review their recommendation.**
- **The subcommittee will determine whether to capture the over-budgeted amounts.**

### **Caseload and Cost of Living**

The Foster Care program provides support payments for children placed in out-of-home care. The program is administered by counties according to regulations, standards and procedures set by the state. **The caseload for the budget year is projected to be 77,134, a decrease of 0.2% over current year.** The caseload declined substantially in the last three year, largely due to a shift of some cases to the Kin-GAP program. This decline has been largely in foster homes; the Foster Family Agency and group home caseloads have remains relatively flat over the past three years.

State law provides for a COLA for foster care providers, subject to the availability of funds. **The budget proposes no COLA for foster family homes, Foster Family Agencies, or group homes.**

Providers have maintained that the state's rate structure has not kept pace with the cost of care. As indicated above, this assertion was part of the incentive to turn to a work group focused on the role of group care in the child welfare system; that work group is not likely to produce a proposed revision in the immediate future. The California Alliance of Child and Family Services have provided information documenting that reported costs continue to be 10-15% above paid rates. Failure to pay a COLA will only exacerbate this gap. The Alliance has suggested that if a COLA is not provided, the rate setting system could be made more flexible to allow group homes to attract and retain qualified staff.

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They have developed a specific proposal to adjust the 'points' in the rate setting system awarded for education, experience and training of direct care staff. Their proposal also includes adding new staff into the point system to reflect the services that are required in today's child welfare system, specifically staff with training and experience treating young people with substance abuse problems, and workers with training and experience in treating young people with criminal justice backgrounds.

- **Providers will answer questions about their proposal for flexibility;**
- **The Department will discuss whether the flexibility is appropriate and warranted;**
- **The subcommittee will determine whether to provide a COLA.**
- **The subcommittee will determine whether to require more flexibility in using current rate setting mechanisms.**

### **Foster Family Agencies**

Foster care placement can occur in any of three settings: a foster family home, a Foster Family Agency (FFA) home, or a group home. Foster Family Agencies are nonprofit agencies that recruit foster parents, certify homes for participation, and provide the homes with training and support services. Rates paid the three types of placements are variable, designed initially to meet the needs of children. Foster family homes are paid \$425 to \$597/month; Foster Family Agencies are paid \$1589 to \$1844/month; group homes are paid \$1454 to \$6371/month. This last amount includes both the amount paid to the family and a sum for treatment and administration paid to the agency.

Foster Family Agencies have grown substantially as a proportion of children placed: from 2% in 1988 to 36% in 2000. The Legislative Analyst has expressed some concerns about the role that FFAs play in the out-of-home care system. These include the fact that the length of stay is longer in FFAs than in non-relative foster homes. Children in FFAs are no more likely to have psychological and abuse-related problem, and less likely to have physical and medical challenges. Family backgrounds of FFA children are more stable and law abiding, compared to family backgrounds of children placed in foster homes. Finally, children in foster homes are more likely to reunify with their families or achieving other long term stability.

The Analyst has provided three options for reducing FFA placements and costs: holding the FFA funding constant at current year levels (\$1.1 million General Fund savings); decrease the number of FFA treatment placements (\$4 million General Fund savings); and adjust the FFA treatment rate over time to encourage timely exit of children from FFA (\$5 million General Fund savings).

Counties and FFAs have argued that FFAs are reimbursed at the true cost of care, unlike either group homes or foster family homes. Moreover, FFAs have been able to deliver diverse services for foster children with specific needs, by supporting foster parents with training and supportive services.

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- The Analyst will review their findings and recommendation.
- The subcommittee will determine whether to adopt one of the options.

**Foster and Kinship Care Education Program**

Since 1984, the Chancellor's Office of the California Community Colleges has operated a training program for foster parents. In 1996, the voluntary program was expanded, and all foster parents were required to obtain education/training at the pre-service and ongoing service levels. Also in the late 1990's, training was expanded to include kinship care providers.

67 Community colleges provide the Foster and Kinship Care Education program. In 2000-01 over 21,600 hours of education and training were provided to over 23,100 participants. The program is funded with child support collections, Proposition 98, and federal Title IVE funds.

**Current year** funding is as follows:

Foster Children and Parent Training Fund (child support funds)	2,967,000
Community College Local Assistance	1,866,000
Federal Reimbursement	6,912,000

Current year funds total \$11.8 million. **The Governor's budget proposes to reduce the Foster Children and Parent Training Fund in the Department of Child Support Services by \$1 million, redirecting those funds to the General Fund.. This in turn would reduce federal reimbursements by about \$1.5 million. The total budget year allocation is proposed to be \$9.2 million, a reduction of 21.3%**

- The Department will respond to why the number of foster care homes to be licensed is expected to go down in the next year.
  - The Department will provide any estimate as to whether the drop in training will make it harder to attract and retain foster parents?
  - The Department will provide any estimate as to whether a drop in foster homes will result in increased costs in group home care?
-